

INDUSTRY UPDATE

Biweekly Period Ending July 28, 2001

Phoenix Metro Area

Manufacturing

The bleeding continues in the **beleaguered high-tech industry**, as companies announced more layoffs, possible sale of operations, and poor earnings results. In a cost-cutting move, Tempe-based **Three-Five Systems** plans to **move a production line** from Arizona **to Asia** by the end of the year, **eliminating about 30 Valley jobs**. Three-Five produces liquid crystal displays for cell phones and other high-tech devices. ...

Amkor Technology, which previously laid off about 10 percent of its Chandler research and sales workforce of 450, **reported significant losses** in the second quarter of 2001 and hinted at **possible further cutbacks**.

West Chester, Pa.-based Amkor is the world's largest semiconductor packaging and testing company. ... **ON Semiconductor**, which

also had major losses in the second quarter, said **1,500 additional job cuts worldwide** will be made over the next year, bringing to 3,000 the number of job cuts announced since June. ON, which makes microchips used in a variety of consumer products, will **let go several hundred workers** at its Phoenix plant (52nd Street and McDowell Road). ON was created out of a former Motorola Corp. analog circuits division in 1999. ... Speaking of **Motorola**, it's expected that the Schaumburg, Ill.-based company will **announce** in the **next few months if it will sell its military communications unit** in Scottsdale to L-3 Communications Holdings Inc. Suffering one of its worst financial years in 2000, the world's second largest maker of mobile phones is attempting to sell the defense-products unit to shore up its debt and to refocus the company on its cellular phone

and semiconductor business.

Citing reduced demand and lower prices for its car-safety products, **TRW eliminated 100 positions** (through attrition) in mid-July at its two Mesa plants. The job cuts are part of an overall cost-cutting strategy announced in March that would eliminate 1,000 positions worldwide. As part of the realignment, TRW is **consolidating its two Mesa plants** into one operation at 11202 E. Germann Road. TRW expects the process to be completed in 2002.

Another transportation-safety company, **Goodrich Corp.**, expects to see "inflation" in its employment after securing a major contract. Maker of evacuation slides for planes, Goodrich was **awarded a \$300 million contract** to design and build inflatable slides for the **French Airbus A380** double-deck airliner, expected to begin flying in 2006. Goodrich's Aircraft Evacuation Systems facility at Broadway Road and 7th Street in Phoenix, which employs 320 workers, is expected to **add 40 more people** because of the contract.

Minneapolis-based **PW Eagle Inc.**, which makes PVC pipe and polyethylene products, is **temporarily shutting down its operations in Phoenix** due to a slowdown in business. PW Eagle, which has 10 U.S. manufacturing plants, is closing a Hillsboro, Ore., facility and laying off more than 100 workers throughout its entire operations. No information was available on the number of Phoenix employees affected.

Trade

The **opening and closing of several furniture chains** in the Valley highlight a number of developments in the retail trade sector the past two weeks. Starting with the good news, an upscale Danish furniture maker catering to

the 25- to 40-year-old age group, **Bo Concept**, will **open two stores** in the Valley (Scottsdale in October; Chandler in March 2002) over the next nine months. The company — which has 85 stores in 19 countries, but only four locations in the U.S. — uses computer 3D software to help design rooms with its sleek, modern furniture. **Two other furniture chains** with a major Valley presence, however, have **filed for Chapter 11 bankruptcy protection**. Tempe-based **Sun Valley Waterbeds**, parent company of Bedroom Superstores, and California-based **Krause's Custom-Crafted Furniture**, for the time being expect to keep open their half-dozen Phoenix-area stores while liquidating less profitable stores out of state. However, if the chains don't come up with an approved reorganization plan, they may be forced to liquidate their local operations. ... New Jersey-based **Burlington Coat Factory** will **open three outlet stores at Valley malls** this fall. Burlington will replace a Montgomery Ward at the Desert Sky Mall in west Phoenix and open two stand-alone operations — at Superstition Springs Mall in Mesa and Paradise Valley Mall in north Phoenix. ... One shopping center that isn't thinking of expanding is **Fiesta Mall**, which has been **put up for sale** less than a year after a major remodeling by its owner, L&B Realty Advisors in Dallas. Competition from newer malls and power centers in Scottsdale, Tempe, and Chandler is a major reason for the sale of the 1.1 million-square-foot mall at U.S. 60 and Alma School Road.

Services

American Express Co., which has more than 9,500 Valley employees, will **eliminate 4,000 to 5,000 jobs worldwide** beginning in the third quarter of 2001 as part of a company-wide reorganization plan. The cuts come on top of plans announced earlier this year to eliminate 1,600 positions. American Express, which had a 76 percent drop in over-the-year earnings in the second quarter of 2001, will **target the newest cuts** in areas

where the Valley has a major presence, such as **business travel and technology**. No information is available on how many positions will be affected locally.

Among health care news items, another nursing center is going out of business, while a west Valley hospital plans a major expansion. **Good Samaritan Regional Medical Center** is **closing a skilled nursing-care facility** on its downtown campus that **employs about 100**. Officials cite financial problems due to lower Medicare payouts by the federal government as the major reason for the closure. Good Samaritan will attempt to place laid-off workers at other Valley operations. ... How quickly fortunes can change. Only a few years ago, **John C. Lincoln Hospital – Deer Valley** (Interstate 17 and Loop 101) was on the verge of bankruptcy. But fast population growth in the north Valley has led to recent strong revenue growth, so the hospital announced it will **double its bed size** to nearly 200 as part of a **\$30 million expansion**. Construction will begin in 2003.

Tucson Metro Area

Trade

Park Place Mall plans to **open a remodeled food court**, a **20-screen movie theater**, and several **retail stores** the **early part of August**. Housed in several buildings that are reminiscent of a Spanish marketplace, the food court will feature about a dozen eateries, while a **Sam Goody music store** across a courtyard will sit next to the **Century 20 Park Place movie complex**. The food court and theater upgrades are the second phase of a \$50 million-plus improvement project for the mall, formerly known as Park Mall. Previously, the interior and exterior of the mall were remodeled.

Payless Cashways closed a store in **Marana** (6421 N. Thornydale Rd.), **laying off 35 to 40 workers**, as part of a company-wide reorganization plan. Payless Cashways, which closed 39 stores nationally, filed for Chapter

11 bankruptcy protection in early June. Prior to the reorganization, the hardware and building-supply chain operated 110 stores under the names Payless Cashways, Furrow, Lumberjack, and Hugh M. Woods in the central and western parts of the country.

Services

The **Tohono O'odham Nation** was expected to **open** a new \$52 million, 185,000-square-foot **casino and entertainment complex** in **late July** that will **add 700 workers** to its current workforce of 800. Called **Desert Diamond**, the complex on Pima Mine Road east of Interstate 19 features 1,500 slot machines, a 2,000-seat auditorium that doubles as a bingo hall, 30 poker tables, meeting rooms, and restaurant. The Indian nation's older gambling operation on Nogales Highway, also known as Desert Diamond, will become strictly a slot machine operation. **Average annual pay** for the **tribe's gaming workers** matches Pima County's average, about **\$24,000**.

Miscellaneous

The **Pima County Workforce Investment Board** debuted a **web site** for **job seekers and employers** in late July. The opening of **pimaworks.com**, which features job listings, skills assessment, training information, and other resources, comes at an appropriate time, when unemployment is on the rise in Tucson and other areas of the state. For example, in Tucson several **optics companies recently closed**, eliminating 150 jobs, and a plastic-injection molding manufacturer (**Plastic Moldings**) **closed up shop** recently after opening a plant in February.

Balance of State

Manufacturing

Phoenix Golf Ball Co. is moving the "core" of its business **to Payson**, which will result in **20 new jobs** when a 20,000-square-foot facility at Sky Park Industrial Park **opens in about a year**. The Mesa-based company will

manufacture the rubber core of its golf balls at the Payson plant, then finish the process (applying an outer coat) at its Mesa facility. Average starting pay for Payson employees will be around \$9 an hour, plus full health insurance, the company said.

Services

About **100 telephone sales workers** in **Lake Havasu City lost their jobs** when **creditors** of its parent company, **Epic Resorts, filed for Chapter 7 bankruptcy** protection. Epic Resorts owns time-share properties in Lake Havasu City (London Bridge Resort), Scottsdale (Scottsdale Links Resort), and several other cities around the country. Other employees at Epic's properties were not affected by its creditors' bankruptcy.

Statewide

Government

Two Air Force bases in Arizona are expected to **pick up about 80 military and civilian personnel in October**. According to U.S. Senator John McCain, **Davis-Monthan Air Force Base in Tucson** will **gain 65 airmen**, while **Luke Air Force Base in Glendale** will

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pick up **eight airmen and nine civilian workers**. The increase in personnel may be a good sign for the bases, said McCain, as the Defense Department gears up for another round (third) of base closings. It's expected that 25 percent of the nation's bases will be shut down in an effort to save government expenses.